

Continuum II Home Care and Hospice, Inc.

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June 1, 2010

Mike J. McKillip, Project Analyst
Certificate of Need Section
Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699-2704

Received by the
CON Section

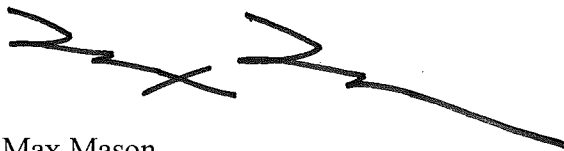
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Dear Mr. McKillip:

Please accept the accompanying comments, in duplicate, filed on behalf of Continuum II Home Care & Hospice, Inc. regarding the competitive Wake County home health agency CON review. For your information, comments pertaining to each applicant are provided as a separate document.

Should you have any questions about this submission, or otherwise, please do not hesitate to give me a call.

Sincerely,



Max Mason
Development Coordinator

June 1, 2010

Overview:

Continuum has reviewed the applications submitted by each proponent in this home health CON cycle. The following comments are provided as a substantive evaluation of important points of differentiation between the applicants. The focus of this review is on elements that we believe constitute potential non-conformity to applicable CON Review standards or that are clear instances of competitive inferiority.

Visits:

Suncrest does not represent the most effective alternative in this review in terms of the number of visits each client will receive, as illustrated in the following table.

Visits (Year 2)	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
SN	3482	3712	4664	3768	3568	2594	5555
PT	2399	3094	1979	2582	2496	2461	5077
ST	220	177	108	68	71	436	146
OT	611	707	464	476	250	439	1611
MSW	149	88	118	98	35	121	135
HHA	750	1061	1449	559	714	654	1186
Total	7611	8839	8782	7551	7134	6705	13710
Visits per Unduplicated Client	15.73	18.41	17.67	15.93	17.40	15.10	23.32

In fact, Suncrest proposes to provide the second fewest number of visits per unduplicated client of all applicants. The significance of this analysis is that, in general, there is a benefit to the client to receive the greatest number of visits possible. If the number of visits is too few, quality of care may be reduced.

Staffing:

As illustrated in the table above, Suncrest has **not** projected **any** supervisory staff, either for clinical or therapy services.

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 Competitor Comments Re: **Suncrest Home Health of North Carolina, Inc.**
 Submitted by: Continuum II Home Care & Hospice, Inc.

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Staffing FTE	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Administrator	1.00	1.00		1.00	1.00	0.50	1.00
Scheduler	1.00	0.00					
Accounting	1.00	1.00					1.00
Office Support	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Marketing/Community Relations	2.00		0.50				2.00
Dir. Of Professional Services		0.50	0.33				
HH Mgr./Super		0.50	1.00		1.00	1.00	1.00
RN	1.10	3.51	3.47	2.00	2.30	1.66	3.60
LPN	2.00	0.00	0.00	1.40	0.34		1.40
CNA	0.79	0.87	1.08	0.50	0.46	0.36	1.00
Dietician	0.00	0.03					
Med Rec	0.00						
MSW	0.16	0.18	0.10	0.20	0.05	0.16	
Therapy Super		0.50		0.00			
PT	1.86	2.08	1.65	1.00	1.23	1.58	
LPTA		0.50		1.40	0.56		
OT	0.42	0.54	0.39	0.50	0.15	0.08	
COTA		0.16			0.03		
SLP	0.15	0.19	0.09	0.10	0.05	0.28	
Other						1.00	1.00
Total	12.48	12.56	9.61	9.10	8.18	7.62	13.00

There is a real question about whether this is a feasible operational model. Furthermore, the lack of dedicated oversight/supervisory staff raises questions about the mechanism by which quality care will be ensured.

Cost Per Visit:

Suncrest has proposed the highest overall cost-per-visit of all applicants in this review. In fact, at \$162.68 per visit, this cost is considerably higher than all other applicants.

Costs	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Nursing	156.01	146.83	74.37	117.49	140.98	123.2	159.42
PT	188.49	159.63	119.13	149.72	126.79	133.9	127.32
SLP	197.88	138.88	76.07	215.2	134.27	149.77	137.62
OT	191.73	132.59	79.51	193.63	127.54	129.7	137.62
MSW	117.67	197.21	72.26	179.22	119.04	173.06	122.17
HHA	92.07	49.46	20.56	84.55	80.07	53.04	89.18
Overall Cost/Visit	162.68	138.83	113.15	132.54	129.27	122.82	138.30

Note: Overall Cost/Visit in the table above is calculated by dividing the Total Expenses reported on Form B by the Total Visits projected.

Start-Up Costs:

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As illustrated in the table below, it is unclear whether Suncrest has accounted for adequate start-up costs for its proposed project. Specifically, the costs below are attributable to the salary of the administrator, an RN, and a clerical person (as well as for rent and utilities). Suncrest does not explain why all proposed clinical staff will not be involved in start-up activities, including training.

	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Start-Up Costs	45,057	94,520	75,000	66,323	20,880	78,832	144,594
Initial Losses	189,086	136,250	25,000	128,542	253,094	524,360	314,580
Total	234,143	230,770	100,000	194,865	273,974	603,192	459,174

Visits Per FTE

Suncrest projects the following visits per FTE:

Visits/FTE/Day	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
RN	6	5.2	5.6	5	5.5	6	5
LPN	6			5	6.5		5.6
CNA	5	5.4	5.6	6	6.5	7	5
MSW	4	3	5	3.5	3	3	
PT	6	5.5	5	5	5.5	6	
LPTA	6	5.5		5	6.5		
OT	6	5.1	5	5	5.5	6	
COTA	6	5.1		5	6.5		
SLP	6	4.2	5	5	5.5	6	

Section VII contains no explanation of the basis for these projections and what makes them reasonable.

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Overview:

Continuum has reviewed the applications submitted by each proponent in this home health CON cycle. The following comments are provided as a substantive evaluation of important points of differentiation between the applicants. The focus of this review is on elements that we believe constitute potential non-conformity to applicable CON Review standards or that are clear instances of competitive inferiority.

Need:

As shown in the table below, 3HC has projected that it will serve 477 unduplicated clients in its first year of operation.

Clients	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Unduplicated							
Year 1	444	444	477	444	80	230	420
Year 2	484	480	497	474	410	444	588

3HC has proposed that it will serve more clients than the standard need methodology has indicated there is a need (444). 3HC may be non-conforming to CON Review Criterion (1).

Visits:

The percentage of visits 3HC proposes by discipline is shown below.

% Visits	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
SN	46%	42%	53%	40%	50%	39%	41%
PT	32%	35%	23%	34%	35%	37%	37%
ST	3%	2%	1%	1%	1%	7%	1%
OT	8%	8%	5%	7%	4%	7%	12%
MSW	2%	1%	1%	2%	0.5%	2%	1%
HHA	10%	12%	16%	16%	10%	10%	9%
Total	100%	100%	100%	100%	100%	100%	100%

As evidenced by the following data, provided the Association for Home & Hospice Care of NC, 3HC's projections appear to be inconsistent with Wake County and State averages (which are generally similar).

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Analysis of Visits by Discipline				
Type of Visit	NC Providers*		Wake Providers**	
	Total Visits	% of Total	Total Visits	% of Total
SNC	882,752	42%	79,786	39.62%
P/T	743,672	35%	78,680	39.07%
P/T	165,534	8%	19,586	9.73%
SLP	32,700	2%	3,513	1.74%
MSW	13,768	1%	2,841	1.41%
HHA	259,462	12%	16,885	8.38%
Med/SURG or NUTR	0	0%	93	0.05%
TOTAL	2,097,888	100%	201,383	100%
* Source: Cost Report Analysis of 158 NC HHAs Report Date: 10/22/2009 Provided by Association for Home & Hospice Care of NC ** Source: 2010 License Renewal Applications for Top-Nine Wake County-based HHAs.				

Staffing:

3HC apparently has not projected an administrator for this proposed agency, as shown below. Also illustrated is 3HC's projected lack of administrative/office staff for this agency.

2010 Wake County Home Health CON Review
 Competitor Comments Re: 3HC
 Submitted by: Continuum II Home Care & Hospice, Inc.

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Staffing FTE	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Administrator	1.00	1.00		1.00	1.00	0.50	1.00
Scheduler	1.00	0.00					
Accounting	1.00	1.00					1.00
Office Support	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Marketing/Community	2.00		0.50				2.00
Dir. Of Professional Services		0.50	0.33				
HH Mgr./Super		0.50	1.00		1.00	1.00	1.00
RN	1.10	3.51	3.47	2.00	2.30	1.66	3.60
LPN	2.00	0.00	0.00	1.40	0.34		1.40
CNA	0.79	0.87	1.08	0.50	0.46	0.36	1.00
Dietician	0.00	0.03					
Med Rec	0.00						
MSW	0.16	0.18	0.10	0.20	0.05	0.16	
Therapy Super		0.50					
PT	1.86	2.08	1.65	1.00	1.23	1.58	
LPTA		0.50		1.40	0.56		
OT	0.42	0.54	0.39	0.50	0.15	0.08	
COTA		0.16			0.03		
SLP	0.15	0.19	0.09	0.10	0.05	0.28	
Other						1.00	1.00
Total	12.48	12.56	9.61	9.10	8.18	7.62	13.00

Section VII does not provide information about 3HC's lack of an administrator. In Section II, however, 3HC indicates that "administrative oversight" will be provided by the corporation's VP for Clinical Services. It is questionable whether this arrangement provides for adequate agency oversight. Furthermore, 3HC indicates in Section VII that no existing personnel will be utilized to staff the proposed project. Therefore, one must question where office support/administrative/clerical services will come from at this agency. Because 3HC apparently has not accounted for adequate support staff, its project costs are also likely understated, therefore creating a potential competitive CON advantage. The impact of this understaffing is represented in highlighted green above, which illustrates that 3HC is not an effective alternative in terms of total staff for this agency. Although there is not an absolute correlation between staff size and quality of care, one must question whether a provider can deliver adequate services at the levels projected given lower staffing.

Cost-Per-Visit:

The projected cost to provide each home health discipline offered by 3HC is substantially lower than any other applicant.

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Cost-per-Visit	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Nursing	156.01	146.83	74.37	117.49	140.98	123.2	159.42
PT	188.49	159.63	119.13	149.72	126.79	133.9	127.32
SLP	197.88	138.88	76.07	215.2	134.27	149.77	137.62
OT	191.73	132.59	79.51	193.63	127.54	129.7	137.62
MSW	117.67	197.21	72.26	179.22	119.04	173.06	122.17
HHA	92.07	49.46	20.56	84.55	80.07	53.04	89.18
Overall Cost/Visit	162.68	138.83	113.15	132.54	129.27	122.82	138.30

It is assumed that the discrepancy is due to 3HC only including direct salary and benefit costs. Nevertheless, 3HC's projected costs may be understated due to the following issue.

Staff Efficiency:

Based on an analysis of proposed staff and projected visits by discipline performed by these staff, the following analysis indicates that 3HC likely has proposed insufficient staff to provide the services it intends to offer.

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 Competitor Comments Re: 3HC
 Submitted by: Continuum II Home Care & Hospice, Inc.

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Visits/FTE/Day	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
RN	6	5.2	5.6	5	5.5	6	5
LPN	6	5.2		5	6.5		5.6
CNA	5	5.4	5.6	6	6.5	7	5
MSW	4	3	5	3.5	3	3	
PT	6	5.5	5	5	5.5	6	
LPTA	6	5.5		5	6.5		
OT	6	5.1	5	5	5.5	6	
COTA	6	5.1		5	6.5		
SLP	6	4.2	5	5	5.5	6	
Potential Visits							
SN	4464	4234	4664	4080	3569	2390	6202
PT	2678	3292	1980	2880	2497	2275	0
SLP	216	185	108	120	71	403	0
OT	605	828	468	600	251	115	0
MSW	154	125	120	168	35	115	0
HHA	948	1090	1452	720	714	605	1200
Total	9065	9755	8791	8568	7137	5904	7402
Projected Visits							
SN	3,482	3,712	4,664	3,768	3,568	2,594	5,555
PT	2,399	3,094	1,979	2,582	2,496	2,461	5,077
SLP	220	177	108	68	71	436	146
OT	611	707	464	476	250	439	1,611
MSW	149	88	118	98	35	121	135
HHA	750	1,061	1,449	559	714	654	1,186
Total	7,611	8,839	8,782	7,551	7,134	6,705	13,710
Efficiency Analysis							
SN	982	522	(0)	312	1	(204)	647
PT	279	198	1	298	1	(186)	(5077)
SLP	(4)	8	0	52	0	(33)	(146)
OT	(6)	121	4	124	1	(324)	(1611)
MSW	5	37	2	70	0	(6)	(135)
HHA	198	29	3	161	0	(49)	14
Total	1454	916	9	1017	3	(801)	(6308)

As indicated by this table, 3HC has projected that it will have the staffing capacity to provide a total of nine (9) more visits than it has projected. Therefore, 3HC has projected that its staff will essentially be **100% efficient** in the delivery of care. That is, 3HC has projected a staffing level that **cannot absorb** unforeseen circumstances or situations that could delay or prevent care. For example, if an RN cannot provide 5.6 visits per day (as projected) because a visit takes longer, 3HC will require additional staff for which it has not budgeted. Other applicants (those that are not highlighted) have a buffer projected in order to account for these unexpected circumstances and, simply, the reality that staff is unlikely to be 100% efficient. This issue is significant in that it potentially affects the quality of care delivered.

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Furthermore, understating necessary staff **artificially reduces** the cost of providing care, which potentially creates an unfair competitive advantage for those applicants who have not recognized the realities of home health staffing, but who have achieved a lower cost for CON purposes.

Charity Care:

Based on the information provided in its proposal, 3HC appears not to represent an effective alternative with respect to the provision of Charity Care. Please see below:

Charity Care	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Year 1	15,050	11,050	1,090	3,659	59,598		11,730
Year 2	20,545	12,341	1,135	3,908	19,819		16,920

Bad Debt	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Year 1	4,572	11,726	10,895	22,356	1,983		7,237
Year 2	4,568	13,096	11,350	23,873	12,691		10,065

In fact, 3HC projects providing the **least** amount of Charity Care of all applicants. As a result, one questions whether this proposal is the most responsive to the needs of the medically underserved populations.

Initial Operating Losses:

Based on the information below it appears that 3HC may have understated its initial operating losses.

	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Start-Up Costs	45,057 [¶]	94,520	75,000	66,323	20,880	78,832	144,594
Initial Losses	189,086	136,250	25,000 [¶]	128,542	253,094	524,360 [¶]	314,580
Total	234,143	230,770	100,000	194,865	273,974	603,192	459,174

3HC apparently has not accounted for the delay in an agency's ability to collect its Accounts Receivable.

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Overview:

Continuum has reviewed the applications submitted by each proponent in this home health CON cycle. The following comments are provided as a substantive evaluation of important points of differentiation between the applicants. The focus of this review is on elements that we believe constitute potential non-conformity to applicable CON Review standards or that are clear instances of competitive inferiority.

Visits:

Assisted Care represents one of the least effective alternatives in this review in terms of the number of visits each unduplicated client will receive. Please see the following table.

Visits (Year 2)	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
SN	3482	3712	4664	3768	3568	2594	5555
PT	2399	3094	1979	2582	2496	2461	5077
ST	220	177	108	68	71	436	146
OT	611	707	464	476	250	439	1611
MSW	149	88	118	98	35	121	135
HHA	750	1061	1449	559	714	654	1186
Total	7611	8839	8782	7551	7134	6705	13710
Visits per Unduplicated Client	15.73	18.41	17.67	15.93	17.40	15.10	23.32

In general, there is a benefit to the client to receive the greatest number of visits possible. If the number of visits is too few, quality of care received may be reduced.

Staffing:

AssistedCare appears to have projected very minimal administrative/office/clerical/support staff for this agency, as shown below.

2010 Wake County Home Health CON Review
 Competitor Comments Re: AssistedCare
 Submitted by: Continuum II Home Care & Hospice, Inc.

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Staffing FTE	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Administrator	1.00	1.00		1.00	1.00	0.50	1.00
Scheduler	1.00	0.00					
Accounting	1.00	1.00					1.00
Office Support	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Marketing/Community Relations	2.00		0.50				2.00
Dir. Of Professional Services		0.50	0.33				
HH Mgr./Super		0.50	1.00		1.00	1.00	1.00
RN	1.10	3.51	3.47	2.00	2.30	1.66	3.60
LPN	2.00	0.00	0.00	1.40	0.34		1.40
CNA	0.79	0.87	1.08	0.50	0.46	0.36	1.00
Dietician	0.00	0.03					
Med Rec	0.00						
MSW	0.16	0.18	0.10	0.20	0.05	0.16	
Therapy Super		0.50					
PT	1.86	2.08	1.65	1.00	1.23	1.58	
LPTA		0.50		1.40	0.56		
OT	0.42	0.54	0.39	0.50	0.15	0.08	
COTA		0.16			0.03		
SLP	0.15	0.19	0.09	0.10	0.05	0.28	
Other						1.00	1.00
Total	12.48	12.56	9.61	9.10	8.18	7.62	13.00

It is questionable whether this arrangement of limited support staff provides for adequate agency operation. Because AssistedCare may not have accounted for adequate support staff, its project costs are also likely **understated**, therefore creating a potential competitive advantage that other applicants who budgeted adequate support staff do not.

As also indicated by the highlighted blue box above, AssistedCare apparently does not have any Nursing Supervision or Therapy Supervision projected, despite the fact that these services account for nearly all that will be offered. It is unclear whether adequate supervisory staff has been projected to ensure optimal provision of services.

The impact of this understaffing is represented in highlighted green above, which illustrates that AssistedCare is not an effective alternative in terms of **total** staff for this agency. Although there is not an absolute correlation between staff size and quality of care, one must question whether a provider can deliver adequate services at the levels projected when overall agency staffing is strained.

Access to Medicaid Recipients:

Access to home health services for Medicaid recipients is an important issue that was identified by providers and agencies in Wake County. Although home health care is not primarily a Medicaid service,

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applicants should make the services available to these individuals. As illustrated below, AssistedCare is the least effective alternative in terms of access to Medicaid recipients.

Payor Mix	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Private	0.00%	0.30%	0.30%	2.30%	2.00%		0.79%
Insurance	12.00%	10.40%	14.40%	19.40%	9.00%		2.57%
Medicare	78.00%	78.20%	69.70%	71.00%	70.20%		84.91%
Medicaid	8.00%	10.00%	15.60%	7.00%	16.80%		10.71%
VA/Champus	0.00%	0.20%					
HHSp	0.00%	0.40%					
Charity	2.00%	0.50%		0.30%	2.00%		1.02%
Other	0.00%						
Total	100.00%	100.00%	100.00%	100.00%	100.00%	0.00%	100.00%

Charity Care:

Perhaps related to Medicaid access, AssistedCare appears not to represent an effective alternative with respect to the provision of Charity Care. Please see below:

Charity Care	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Year 1	15,050	11,050	1,090	3,659	59,598		11,730
Year 2	20,545	12,341	1,135	3,908	19,819		16,920

Bad Debt	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Year 1	4,572	11,726	10,895	22,356	1,983		7,237
Year 2	4,568	13,096	11,350	23,873	12,691		10,065

It is questionable whether this proposal is the most responsive to the needs of the medically underserved populations.

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Overview:

Continuum has reviewed the applications submitted by each proponent in this home health CON cycle. The following comments are provided as a substantive evaluation of important points of differentiation between the applicants. The focus of this review is on elements that we believe constitute potential non-conformity to applicable CON Review standards or that are clear instances of competitive inferiority.

Need:

As shown in the table below, Community does not project that it will serve the need identified in the 2010 SMFP by **even** the **second** year of operation.

Clients	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Unduplicated							
Year 1	444	444	477	444	80	230	420
Year 2	484	480	497	474	410	444	588

Given that there is a **clear need** for home health services in Wake County it is unlikely that Community's proposal will best meet that need.

Visits:

The percentage of visits Community proposes, by discipline, is shown below.

% Visits	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
SN	46%	42%	53%	40%	50%	39%	41%
PT	32%	35%	23%	34%	35%	37%	37%
ST	3%	2%	1%	1%	1%	7%	1%
OT	8%	8%	5%	7%	4%	7%	12%
MSW	2%	1%	1%	2%	0.5%	2%	1%
HHA	10%	12%	16%	16%	10%	10%	9%
Total	100%	100%	100%	100%	100%	100%	100%

As evidenced by the following data, provided by the Association for Home & Hospice Care of NC, Community's projections for **skilled nursing** (particularly) appear to be inconsistent with Wake County and State averages (which are generally similar). Community does not provide assumptions for how it reached its conclusions in Section VII.

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Analysis of Visits by Discipline				
Type of Visit	NC Providers*		Wake Providers**	
	Total Visits	% of Total	Total Visits	% of Total
SNC	882,752	42%	79,786	39.62%
P/T	743,672	35%	78,680	39.07%
P/T	165,534	8%	19,586	9.73%
SLP	32,700	2%	3,513	1.74%
MSW	13,768	1%	2,841	1.41%
HHA	259,462	12%	16,885	8.38%
Med/SURG or NUTR	0	0%	93	0.05%
TOTAL	2,097,888	100%	201,383	100%
* Source: Cost Report Analysis of 158 NC HHAs Report Date: 10/22/2009 Provided by Association for Home & Hospice Care of NC ** Source: 2010 License Renewal Applications for Top-Nine Wake County-based HHAs.				

Staffing:

Community appears to have projected very minimal administrative/office/clerical/support staff for this agency, as shown below.

2010 Wake County Home Health CON Review
 Competitor Comments Re: Community
 Submitted by: Continuum II Home Care & Hospice, Inc.

June 1, 2010

Staffing FTE	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Administrator	1.00	1.00		1.00	1.00	0.50	1.00
Scheduler	1.00	0.00					
Accounting	1.00	1.00					1.00
Office Support	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Marketing/Community Relations	2.00		0.50				2.00
Dir. Of Professional Services		0.50	0.33				
HH Mgr./Super		0.50	1.00		1.00	1.00	1.00
RN	1.10	3.51	3.47	2.00	2.30	1.66	3.60
LPN	2.00	0.00	0.00	1.40	0.34		1.40
CNA	0.79	0.87	1.08	0.50	0.46	0.36	1.00
Dietician	0.00	0.03					
Med Rec	0.00						
MSW	0.16	0.18	0.10	0.20	0.05	0.16	
Therapy Super		0.50					
PT	1.86	2.08	1.65	1.00	1.23	1.58	
LPTA		0.50		1.40	0.56		
OT	0.42	0.54	0.39	0.50	0.15	0.08	
COTA		0.16			0.03		
SLP	0.15	0.19	0.09	0.10	0.05	0.28	
Other						1.00	1.00
Total	12.48	12.56	9.61	9.10	8.18	7.62	13.00

It is questionable whether this arrangement of limited support staff provides for adequate agency operation. Because Community may not have accounted for adequate support staff, its project costs are also likely understated, therefore creating a potential competitive advantage that other applicants who budgeted adequate support staff do not.

As also indicated by the highlighted blue box above, Community does not have any Therapy Supervision projected, despite its significant provision of therapy services (40% of total visits). It is unclear whether adequate supervisory staff has been projected to ensure optimal provision of services.

The impact of this understaffing is represented in highlighted green above, which illustrates that Community is not an effective alternative in terms of total staff for this agency. In fact, Community has projected the second lowest total staff for its proposed home health agency. Although there is not an absolute correlation between staff size and quality of care, one must question whether a provider can deliver adequate services at the levels projected when overall agency staffing is strained and supervisory services are lacking.

Staff Efficiency:

Based on an analysis of proposed staff and projected visits by discipline performed by these staff, the following analysis indicates that Community likely has proposed insufficient staff to provide the services it intends to offer.

2010 Wake County Home Health CON Review
 Competitor Comments Re: Community
 Submitted by: Continuum II Home Care & Hospice, Inc.

June 1, 2010

Visits/FTE/Day	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
RN	6	5.2	5.6	5	5.5	6	5
LPN	6	5.2		5	6.5		5.6
CNA	5	5.4	5.6	6	6.5	7	5
MSW	4	3	5	3.5	3	3	
PT	6	5.5	5	5	5.5	6	
LPTA	6	5.5		5	6.5		
OT	6	5.1	5	5	5.5	6	
COTA	6	5.1		5	6.5		
SLP	6	4.2	5	5	5.5	6	
Potential Visits							
SN	4464	4234	4664	4080	3569	2390	6202
PT	2678	3292	1980	2880	2497	2275	0
SLP	216	185	108	120	71	403	0
OT	605	828	468	600	251	115	0
MSW	154	125	120	168	35	115	0
HHA	948	1090	1452	720	714	605	1200
Total	9065	9755	8791	8568	7137	5904	7402
Projected Visits							
SN	3,482	3,712	4,664	3,768	3,568	2,594	5,555
PT	2,399	3,094	1,979	2,582	2,496	2,461	5,077
SLP	220	177	108	68	71	436	146
OT	611	707	464	476	250	439	1,611
MSW	149	88	118	98	35	121	135
HHA	750	1,061	1,449	559	714	654	1,186
Total	7,611	8,839	8,782	7,551	7,134	6,705	13,710
Efficiency Analysis							
SN	982	522	(0)	312	1	(204)	647
PT	279	198	1	298	1	(186)	(5077)
SLP	(4)	8	0	52	0	(33)	(146)
OT	(6)	121	4	124	1	(324)	(1611)
MSW	5	37	2	70	0	(6)	(135)
HHA	198	29	3	161	0	(49)	14
Total	1454	916	9	1017	3	(801)	(6308)

As indicated by this table, Community has projected that it will have the staffing capacity to provide a total of three (3) more visits than it has projected in Year Two. Therefore, Community has projected that its staff will essentially be **100% efficient**. That is, Community has projected a staffing level that **cannot absorb** unforeseen circumstances or situations that could delay or prevent care. For example, if an RN cannot provide 5.5 visits per day (as projected) because a visit takes longer, Community will require additional staff for which it has not accounted/budgeted. Other applicants (those that are not highlighted) have projected a **buffer** (i.e., staffing above the minimum required to perform services) in order to account for these unexpected circumstances and, simply, the reality that staff is unlikely to be 100% efficient. This issue is significant in that it potentially affects the quality of care delivered.

June 1, 2010

Furthermore, understating necessary staff **artificially reduces** the cost of providing care, which potentially creates an **unfair competitive advantage** for those applicants who have not recognized the realities of home health staffing, but who have achieved a lower cost for CON purposes.

Cost-Per-Visit:

Given the likelihood that Community understated the staff necessary to perform the visits project, it is also likely that Community’s projected cost-per-visit for each home health discipline is understated.

Cost-per-Visit	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Nursing	156.01	146.83	74.37	117.49	140.98	123.2	159.42
PT	188.49	159.63	119.13	149.72	126.79	133.9	127.32
SLP	197.88	138.88	76.07	215.2	134.27	149.77	137.62
OT	191.73	132.59	79.51	193.63	127.54	129.7	137.62
MSW	117.67	197.21	72.26	179.22	119.04	173.06	122.17
HHA	92.07	49.46	20.56	84.55	80.07	53.04	89.18
Overall Cost/Visit	162.68	138.83	113.15	132.54	129.27	122.82	138.30

Increased staffing costs just to serve the number of clients/perform the number of visits projected would raise the average cost per visit to some extent. This issue should not be ignored, as it directly impacts the financial feasibility of this project. Furthermore, potential understaffing affects the bottom line of the project. Since Community only projects profitability of \$14,939 in Year 2, it simply does not have any margin for error in its calculations.

Medicaid Access:

Community has projected the following breakdown of visits by payor source:

Payor Mix	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Private	0.00%	0.30%	0.30%	2.30%	2.00%		0.79%
Insurance	12.00%	10.40%	14.40%	19.40%	9.00%	16.83%	2.57%
Medicare	78.00%	78.20%	69.70%	71.00%	70.20%	67.96%	84.91%
Medicaid	8.00%	10.00%	15.60%	7.00%	16.80%	12.26%	10.71%
VA/Champus	0.00%	0.20%					
HHSp	0.00%	0.40%					
Charity	2.00%	0.50%		0.30%	2.00%	2.94%	1.02%
Other	0.00%						
Total	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	100.00%

It is impossible to evaluate whether or not these payor-source projections are realistic given that Community apparently provided **no assumptions** to substantiate them in Section VI (the source of these data), such as what the basis is for 16.8% Medicaid visits. Its statement of assumptions in the Pro Forma Section is very non-specific, further leading one to question the validity of this breakdown.

Charity Care:

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Community's projection of Charity Care in Year 1 is misleadingly high given that it projects a long operating period prior to receiving certification. Please see below:

Charity Care	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Year 1	15,050	11,050	1,090	3,659	59,598		11,730
Year 2	20,545	12,341	1,135	3,908	19,819		16,920

June 1, 2010

Overview:

Continuum has reviewed the applications submitted by each proponent in this home health CON cycle. The following comments are provided as a substantive evaluation of important points of differentiation between the applicants. The focus of this review is on elements that we believe constitute potential non-conformity to applicable CON Review standards or that are clear instances of competitive inferiority.

Need:

As shown in the table below, Innovative projects to serve only 230 unduplicated clients in Year 1, which is fewer than the identified need of 444 in the 2010 SMFP.

Clients	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Unduplicated							
Year 1	444	444	477	444	80	230	420
Year 2	484	480	497	474	410	444	588

Given that there is a **clear need** for home health services in Wake County, Innovative’s projections may be too conservative. Thus, its proposal may not represent the best alternative for Wake County.

Staffing:

Innovative appears to have projected very minimal administrative/office/clerical/support staff for this agency, as shown below.

2010 Wake County Home Health CON Review
 Competitor Comments Re: Innovative Senior Care
 Submitted by: Continuum II Home Care & Hospice, Inc.

June 1, 2010

Staffing FTE	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Administrator	1.00	1.00		1.00	1.00	0.50	1.00
Scheduler	1.00	0.00					
Accounting	1.00	1.00					1.00
Office Support	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Marketing/Community Relations	2.00		0.50				2.00
Dir. Of Professional Services		0.50	0.33				
HH Mgr./Super		0.50	1.00		1.00	1.00	1.00
RN	1.10	3.51	3.47	2.00	2.30	1.66	3.60
LPN	2.00	0.00	0.00	1.40	0.34		1.40
CNA	0.79	0.87	1.08	0.50	0.46	0.36	1.00
Dietician	0.00	0.03					
Med Rec	0.00						
MSW	0.16	0.18	0.10	0.20	0.05	0.16	
Therapy Super		0.50					
PT	1.86	2.08	1.65	1.00	1.23	1.58	
LPTA		0.50		1.40	0.56		
OT	0.42	0.54	0.39	0.50	0.15	0.08	
COTA		0.16			0.03		
SLP	0.15	0.19	0.09	0.10	0.05	0.28	
Other						1.00	1.00
Total	12.48	12.56	9.61	9.10	8.18	7.62	13.00

It is questionable whether this arrangement of limited support staff provides for adequate agency operation. Because Innovative may not have accounted for adequate support staff, its project costs are also likely **understated**, therefore creating a potential competitive advantage that other applicants who budgeted adequate support staff do not realize.

As also indicated by the highlighted blue box above, Innovative does not have any Therapy Supervision FTEs projected, despite its significant provision of therapy services (50% of total visits). It is unclear whether adequate supervisory staff has been projected to ensure optimal provision of services.

The impact of this understaffing is represented in highlighted green above, which illustrates that Innovative is not an effective alternative in terms of **total** staff for this agency. In fact, Innovative has projected the **lowest** total staff for its proposed home health agency. Although there is not an absolute correlation between staff size and quality of care, one must question whether a provider can deliver adequate services at the levels projected when overall agency staffing is strained and supervisory services are lacking. As described below, Innovative's projected staff may indeed be inadequate to provide the services proposed.

Staff Efficiency:

Based on an analysis of proposed staff and projected visits by discipline performed by these staff, the following analysis indicates that Innovative has proposed **insufficient** staff to provide the services it intends to offer.

2010 Wake County Home Health CON Review
 Competitor Comments Re: Innovative Senior Care
 Submitted by: Continuum II Home Care & Hospice, Inc.

June 1, 2010

Visits/FTE/Day	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
RN	6	5.2	5.6	5	5.5	6	5
LPN	6	5.2		5	6.5		5.6
CNA	5	5.4	5.6	6	6.5	7	5
MSW	4	3	5	3.5	3	3	
PT	6	5.5	5	5	5.5	6	
LPTA	6	5.5		5	6.5		
OT	6	5.1	5	5	5.5	6	
COTA	6	5.1		5	6.5		
SLP	6	4.2	5	5	5.5	6	
Potential Visits							
SN	4464	4234	4664	4080	3569	2390	6202
PT	2678	3292	1980	2880	2497	2275	0
SLP	216	185	108	120	71	403	0
OT	605	828	468	600	251	115	0
MSW	154	125	120	168	35	115	0
HHA	948	1090	1452	720	714	605	1200
Total	9065	9755	8791	8568	7137	5904	7402
Projected Visits							
SN	3,482	3,712	4,664	3,768	3,568	2,594	5,555
PT	2,399	3,094	1,979	2,582	2,496	2,461	5,077
SLP	220	177	108	68	71	436	146
OT	611	707	464	476	250	439	1,611
MSW	149	88	118	98	35	121	135
HHA	750	1,061	1,449	559	714	654	1,186
Total	7,611	8,839	8,782	7,551	7,134	6,705	13,710
Efficiency Analysis							
SN	982	522	(0)	312	1	(204)	647
PT	279	198	1	298	1	(186)	(5077)
SLP	(4)	8	0	52	0	(33)	(146)
OT	(6)	121	4	124	1	(324)	(1611)
MSW	5	37	2	70	0	(6)	(135)
HHA	198	29	3	161	0	(49)	14
Total	1454	916	9	1017	3	(801)	(6308)

As indicated by this table, Innovative has not projected enough staff FTEs to perform the visits projected. Specifically, Innovative will not be able to perform 801 of its projected visits, throughout all disciplines. Unlike other applicants with problematic staffing projections (in terms of projecting that staff will essentially be 100% efficient), Innovative simply does not have sufficient staff.

Understating necessary staff impacts the financial feasibility of this project in that clearly not enough cost has been allocated to the provision of visits. This omission of staff, and thus cost, **artificially reduces** the cost of providing care, which potentially creates an **unfair competitive advantage**.

Cost-Per-Visit:

2010 Wake County Home Health CON Review
 Competitor Comments Re: Innovative Senior Care
 Submitted by: Continuum II Home Care & Hospice, Inc.

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Given that Innovative apparently projected insufficient staff, it is that its projected cost-per-visit for each home health discipline, and overall (\$122.82), is understated.

Cost-per-Visit	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Nursing	156.01	146.83	74.37	117.49	140.98	123.20	159.42
PT	188.49	159.63	119.13	149.72	126.79	133.90	127.32
SLP	197.88	138.88	76.07	215.2	134.27	149.77	137.62
OT	191.73	132.59	79.51	193.63	127.54	129.70	137.62
MSW	117.67	197.21	72.26	179.22	119.04	173.06	122.17
HHA	92.07	49.46	20.56	84.55	80.07	53.04	89.18
Overall Cost/Visit	162.68	138.83	113.15	132.54	129.27	122.82	138.30

Although Innovative appears to be one of the overall lowest costs-per-visit, this projection must not be taken at face value.

Medicaid Access:

Innovative has projected the following breakdown of visits by payor source:

Payor Mix	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Private	0.00%	0.30%	0.30%	2.30%	2.00%		0.79%
Insurance	12.00%	10.40%	14.40%	19.40%	9.00%	16.83%	2.57%
Medicare	78.00%	78.20%	69.70%	71.00%	70.20%	67.96%	84.91%
Medicaid	8.00%	10.00%	15.60%	7.00%	16.80%	12.26%	10.71%
VA/Champus	0.00%	0.20%					
HHSp	0.00%	0.40%					
Charity	2.00%	0.50%		0.30%	2.00%	2.94%	1.02%
Other	0.00%						
Total	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	100.00%

It is impossible to evaluate whether or not these payor-source projections are realistic given that Innovative apparently provided **no assumptions** to substantiate them in Section VI (the source of these data).

June 1, 2010

Overview:

Continuum has reviewed the applications submitted by each proponent in this home health CON cycle. The following comments are provided as a substantive evaluation of important points of differentiation between the applicants. The focus of this review is on elements that we believe constitute potential non-conformity to applicable CON Review standards or that are clear instances of competitive inferiority.

Need:

As shown in the table below, Pruitt projects that it will serve 588 clients by its second year of operation. This projection is out-of-line with those of other applicants and may be unrealistic based on actual need.

Clients	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Unduplicated							
Year 1	444	444	477	444	80	230	420
Year 2	484	480	497	474	410	444	588

Although Pruitt indicates in Section 3 that just 529 of the 588 clients will be Wake County residents, even this number may be high.

Furthermore, Pruitt projects serving clients from Durham, Johnston, Harnett, Franklin, Nash, Wilson, Granville and Sampson Counties in both Year 1 and Year 2. While it is the case that home health providers are not confined to serving patients only in the county in which the agency is based, one questions whether Pruitt would not be **overextending its service capacity** by reaching into so many secondary counties. Such overextension could lead to reduced availability for clients in Wake County, the primary service area and focus of this need allocation.

Visits:

The percentage of visits Pruitt proposes in Year 2, by discipline, is shown below.

Visits (Year 2)	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
SN	3482	3712	4664	3768	3568	2594	5555
PT	2399	3094	1979	2582	2496	2461	5077
ST	220	177	108	68	71	436	146
OT	611	707	464	476	250	439	1611
MSW	149	88	118	98	35	121	135
HHA	750	1061	1449	559	714	654	1186
Total	7611	8839	8782	7551	7134	6705	13710
Visits per Unduplicated Client	15.73	18.41	17.67	15.93	17.40	15.10	23.32

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Pruitt's proposed provision of 23.32 visits per unduplicated client may be higher than reasonable and should be carefully scrutinized for legitimacy.

Payor Mix:

Pruitt has projected the following breakdown of visits by payor source:

Payor Mix	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Private	0.00%	0.30%	0.30%	2.30%	2.00%		0.79%
Insurance	12.00%	10.40%	14.40%	19.40%	9.00%	16.83%	2.57%
Medicare	78.00%	78.20%	69.70%	71.00%	70.20%	67.96%	84.91%
Medicaid	8.00%	10.00%	15.60%	7.00%	16.80%	12.26%	10.71%
VA/Champus	0.00%	0.20%					
HHSp	0.00%	0.40%					
Charity	2.00%	0.50%		0.30%	2.00%	2.94%	1.02%
Other	0.00%						
Total	100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	100.00%

Although Pruitt provides a discussion of its assumptions regarding payor mix in its Exhibit 71, it is unclear how the data presented relate to the projections made. In fact, the data contain in Exhibit 71 support the notion that Pruitt has overstated the percentage of Medicare-reimbursed visits. This overstatement may impact revenues and, thus, overall financial feasibility (i.e., overstate it).

Project Cost:

As illustrated below, Pruitt's total costs for the proposed project are more than 50% greater than the next highest applicant (Suncrest). Given this significantly higher cost to reimbursers it is particularly important that Pruitt's assumptions about the number of clients likely-to-be-served are reasonable.

Costs	Suncrest	Continuum	3HC	Assisted Care	Community	Innov.	Pruitt
Nursing	\$543,227	\$545,033	\$346,862	\$442,702	\$503,017	\$319,581	\$885,578
PT	\$452,188	\$493,895	\$235,758	\$386,577	\$316,468	\$329,528	\$646,404
SLP	\$43,534	\$24,582	\$8,216	\$14,634	\$9,533	\$65,300	\$20,093
OT	\$117,147	\$93,741	\$36,893	\$92,168	\$31,885	\$56,938	\$221,706
MSW	\$17,533	\$17,354	\$8,527	\$17,564	\$4,166	\$20,940	\$16,493
HHA	\$69,053	\$52,477	\$29,791	\$47,263	\$57,170	\$34,688	\$105,767
Total	\$1,242,680	\$1,227,083	\$666,046	\$1,000,908	\$922,239	\$826,975	\$1,896,041
Cost Form B	\$1,238,171	\$1,227,101	\$993,711	\$1,000,795	\$922,241	\$823,526	\$1,896,057
Difference	(\$4,509)	\$18	\$327,665	(\$113)	\$2	(\$3,449)	\$16